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Bovis Corporation Limited 1972 Annual Report

AR32

Bovis Corporation Limited



BOARD OF DIRECTORS:

J.S. Bull (6)	H. McNamara (4)
J.N. Botsford (9)	E.A. Payne*
R.A. Davies, Q.C. (3)	M. Paris*
H.G. Emerson (1)	A.L. Quinlan*
R. MacTavish (2)	M.F. Sanderson*
R.F. Martin (7)	E.J. Spence (8)

* Absent at the time photograph was taken

OFFICERS OF THE COMPANY

H. McNamara – Chairman of The Board
J. S. Bull – President & Chief Executive
R. MacTavish – Vice President, Finance
A. L. Quinlan – Vice President
R. F. Martin – Vice President
C. L. Lister – Secretary-Treasurer (5)
B. Way – Assistant Secretary-Treasurer



Bovis Corporation Limited

Interim Report to Shareholders

Six Months

Ended June 30, 1972

SHARE CERTIFICATE EXCHANGE

GUNNAR MINING LIMITED SHARE CERTIFICATES
MAY BE EXCHANGED, ON A SHARE-FOR-SHARE
BASIS, FOR BOVIS CORPORATION LIMITED
CERTIFICATES BY FORWARDING THEM TO:

CANADIAN SHAREHOLDERS
STOCK TRANSFER DEPARTMENT
CROWN TRUST COMPANY
302 BAY STREET
TORONTO, ONTARIO

U.S. SHAREHOLDERS
CORPORATE AGENCIES ADMINISTRATOR
BANK OF NEW YORK
90 WASHINGTON STREET—6th Floor
NEW YORK, N.Y. 10015

Bovis Corporation Limited
and

McNamara Corporation Limited

255 Consumers Road
Willowdale, Ontario
Telephone - 493-2770

Bovis Corporation Limited

Report to Shareholders

In spite of a very slow construction start in the second quarter, caused by the long Canadian winter, profit from operations of \$542,000 in this quarter reduced the six month ending June 30, 1972 net loss to \$447,000, compared to \$582,000 as of this date last year.

Our construction operations in Newfoundland and the Marine Division were completely underway by the first of June, so that the third quarter and balance of the year promise to be very active and profitable.

The new Bovis Housing and Property Division is now fully operative. Model homes at "Acton Meadows", Acton, Ontario, will be completed in August and occupancies on production homes ready for September. Early in July, an agreement in principle was reached whereby Bovis Corporation will acquire all the Common and Preference Shares of T.B. Realty Limited. T.B. Realty owns land in Lockwood Park, London, Ontario, with an approved plan for 1,350 residential units, and 188 acres of land for development in Newmarket, Ontario.

Second quarter results continue to strengthen management's optimism. Earlier forecasts for a satisfactory profit in 1972 continue on target.

On behalf of the Board



John Hanmer, President

Chairman

Consolidated Statement of Income

for the six months ended June 30, 1972

	1972	1971
Gross Revenue, including		
\$1,330,000 as share of Joint		
Venture Revenue (1971 -		
\$5,449,000)	<u>\$15,183,000</u>	<u>\$25,892,000</u>
Profit from Operations before		
Undernoted charges	341,000	194,000
Interest Expense - Term		
Bank Loans	98,000	212,000
Depreciation	690,000	564,000
Net Loss to June 30	<u>\$ (447,000)</u>	<u>\$ (582,000)</u>

Consolidated Statement of Source and Application of Working Capital

for the six months ended June 30, 1972

	1972	1971
Source of Working Capital		
Net Income (Loss)	\$(447,000)	\$(582,000)
Add: Depreciation	690,000	564,000
From Operations	243,000	(18,000)
Net Book Value of		
Assets Sold	431,000	98,000
	<u>674,000</u>	<u>80,000</u>
Application of Working Capital		
Purchase of Fixed Assets	693,000	417,000
Acquisition of Previously Non-		
Controlled Subsidiary - Net	-	419,000
Mortgage Payments	5,000	4,000
Mortgage on		
Property Sold	-	75,000
	<u>698,000</u>	<u>915,000</u>
Increase (decrease) in Working		
Capital Before Reduction of		
Term Bank Loan	(24,000)	(835,000)
Reduction of Term		
Bank Loan	69,000	1,866,000
Increase (decrease) in		
Working Capital	(93,000)	(2,701,000)
Working Capital, January 1	<u>12,756,000</u>	<u>16,570,000</u>
Working Capital, June 30	<u>\$12,663,000</u>	<u>\$13,869,000</u>

Financial Highlights

	1972	1971
Sales and Earnings		
Gross Revenue	\$42,492,000	\$62,835,000
Net Earnings	\$2,004,000	\$1,360,000
Net Earnings per Common Share	\$.168	\$.116
Cash Flow from Operations	\$3,449,000	\$2,691,000
Cash Flow per Common Share	\$.288	\$.226
Assets and Working Capital as at December 31		
Working Capital	\$13,296,000	\$12,756,000
Property, Plant and Equipment	\$10,506,000	\$11,602,000
Land for development and sale and houses under construction	\$7,652,000	—
Total Assets	\$35,729,000	\$32,146,000
Total Bank Borrowings	\$2,831,000	\$1,557,000
Mortgages and mortgage advances on land for development and sale, and houses under construction	\$3,521,000	—
Number of Shareholders and Shares outstanding at December 31		
Shareholders	8,778	8,700
Common Shares Outstanding	11,965,916	11,928,466
Shareholders' Equity	\$24,096,000	\$22,012,000

Corporate Information

Corporate Offices:

225 Consumers Road, Willowdale, Ontario.
Telephone: (416) 493-2770 — Telex: 06966856

Auditors:

Touche Ross & Co.

Bankers:

The Royal Bank of Canada
Bank of America National Trust and Savings Association
The Bank of Nova Scotia

Transfer Agent and Registrar:

Crown Trust Company
302 Bay Street, Toronto, Ontario.

Transfer Agent (U.S.A.)

The Bank of New York 90 Washington Street
New York City, N.Y.

Bonding Company:

Travelers Indemnity Company of Canada

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To Our Shareholders

The year ended December 31st, 1972, was an eventful and exciting year for your Company, completing the transformation of Bovis Corporation in Canada from a Company basically reliant on the cyclical fortunes of heavy civil engineering, to a diversified group whose balanced activities now include successful Corporate divisions in Housing and Property, and a modest beginning in Finance.

During these past months of transformation, and in spite of the inevitable reduction in revenues that resulted from our termination of Heavy Construction operations, we are pleased to report a significant profit improvement over 1971. Forecasts for 1973 indicate further healthy profit growth, with an increasing volume of turnover in housing and property which will begin to offset the loss of heavy construction revenues.

To highlight the significance of change, let me summarize the major events of the year. Following termination of the Heavy Construction Division in March, 1972, our unprofitable subsidiaries in Mining and Construction Tire Services were satisfactorily sold. On the expansion front, we successfully attracted experienced personnel to form our new Housing and Property Divisions, culminating in the acquisition of over 1,000 acres of prime residential land for development, and the completion of 50 housing units by year-end. Our new Housing Division actually showed a modest profit after ten months in operation.

Financial Commentary

Net income for 1972, after the write-off of an extraordinary non-recurring loss of \$227,000, was \$2,004,000 or 16.8¢ per share, up 47.4% over 1971 profits of \$1,360,000. The cumulative deficit at the end of 1970 of \$2,288,000, the year Gunnar Mining became Bovis Corporation Limited, was converted to a \$1,076,000 surplus as of December 31st, 1972.

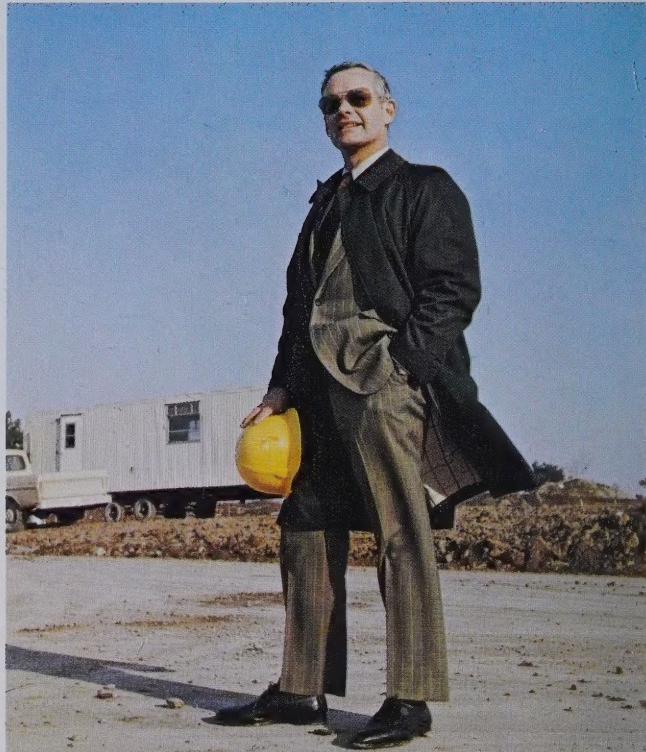
Cash flow from operations in 1972 was \$3,449,000 or 28.8¢ per share, compared to \$2,691,000 in 1971 or 22.6¢ per share.

Gross revenues of \$42,492,000 were down from the \$62,835,000 level of 1971, reflecting the reduction in turnover attributed to our Heavy Construction operation. Working capital, as of December 31st, 1972, stood at \$13,296,000 compared to \$12,756,000 at year-end 1971.

No provision was required in 1972 for income taxes. Available tax credits and loss carry forwards are still available to offset projected earnings into early 1974.

Important Balance Sheet Changes

Gross assets under the administration of Bovis Corporation



increased from \$32,146,000 to \$35,729,000. Of special significance was the addition of \$7,652,000 of land under development, houses under construction, and land held for future development. Against this asset were mortgages and mortgage advances of only \$3,521,000, or 46.0%.

The Bank Term Loans, which stood at \$3,688,000 at the end of 1971, were reduced to \$2,716,000 by the end of 1972 as cash realized from the sale of certain assets relating to Gunnex, Heavy Construction Tire Services and used equipment were applied against these loans. A further one million dollars will be paid off in August, 1973 under our banking agreement.

The special Provision for losses on the discontinuance of certain past operations, set up in 1970 at the time of your Company's refinancing, was written off by the end of December 31st, 1972. The one-time terminal costs of disposing of our mining operations, our tire operation, the heavy construction division and related equipment were written off against the Provision, in addition to certain receivables held prior to refinancing which were not recoverable. The Provision plus the \$227,000 shown as an extraordinary write-off at the end of 1972 on our Consolidated Statement of Income, now puts our Balance Sheet on a very sound value basis.

Total bank borrowing was up in 1972 to \$2,831,000 compared to \$1,557,000 as of December 31st, 1971.

Accounting Policy and Claims

Our accounting policy on construction continues to be conservative. Claims are not reflected in income until compensation has been awarded, and all legal expenses and costs are written off as incurred.

Final job settlements were obtained during the year on the Churchill Falls powerhouse joint venture and the Humphrey Mine Tunnel in Labrador. In addition to a few minor claims, we look forward to substantial progress on the Oroville Dam and Powerhouse suit against the Department of Water Resources of the State of California. This joint venture project with our partner, George A. Fuller Inc., was completed in 1967.

Acquisitions and Disposals

Cash advances in our Kettle Rapids and Welland Tunnel joint ventures were acquired at book value by C.A. Pitts Limited in the first quarter of 1972. The shares and equity of Gunnex Mining Limited were purchased by Barymin Explorations in September, 1972. All the assets of Heavy Construction Tire Services were sold to Tiremaster Limited in October, 1972, except for the building and property on Midwest Avenue, which is being held by Bovis Corporation as an income producing property, on a basis similar to the Fedquip building and land at Eastside Drive in Etobicoke.

In August, 1972, Bovis Corporation acquired all the common shares of T.B. Realty Limited, a private Ontario development company, including the operating subsidiary, Don Shaver Construction Limited, which is being retained as a division of our Housing operations in London, Ontario.

Patents and Processes

Significant progress was made during 1972 in finding technically qualified and financially capable joint venture partners for our various patents and processes developed by Bohna Engineering & Research, Inc.

While all active research and development activities were terminated at the end of 1971, agreements were reached with Pollution Technical Services in the United Kingdom and Seiko Engineering in Japan to manufacture and market the Bohna Tertiary Water Filtration System. Further agreements were entered into with Foster Wheeler Corporation of Livingston, New Jersey, and the Pechiney Ugine Kuhlmann group of Paris, France, to develop and exploit our patented processes for the production of fertilizers and ammonium bisulfate. The Bohna ABS Direct Gas System has a unique and substantial role to play in the ammonium scrubbing of sulphur dioxide in stack gases. Modest royalty revenues were obtained in 1972, and are expected to grow over the years.

Future Plans and Prospects

The year 1973 will see Bovis Corporation complete its first full year of new operations in housing, property and finance. In line with our program of diversification into businesses that are complementary to ongoing activities, we have entered into a mortgage and bridge financing business through the formation of Twentieth Century Finance Corporation Limited, a newly chartered Canadian subsidiary in which Bovis Corporation holds a 75% interest. In this new undertaking, we are fortunate to have as our associate and General Manager of Twentieth Century Finance, Mr. Charles Orenstein of Orenstein & Partners, one of the most prominent and successful lenders in this field.

The constantly expanding construction and development

field in North America has created a growing need for sources of relatively short term financing. We believe that the strong Balance Sheet position of your Company can be successfully utilized in this market, while providing a unique advantage to our own trading objectives in commercial and industrial property development.

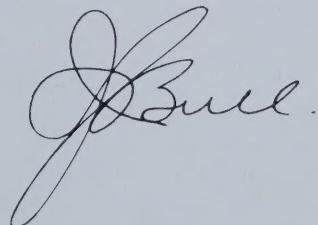
Bovis Holdings (Canada) Limited, a wholly-owned subsidiary of Bovis Limited of London, England, has advised your Board of Directors that it intends to purchase, for cash, the aggregate of 1,700,000 unissued shares of Bovis Corporation at the optioned price of \$3.00 per share under the agreement concluded at the time of your Company's refinancing on August 31st, 1970. Not only will this provide a welcome broadening of our equity base, it reflects a resounding vote of confidence in the future prospects of our Bovis Corporation "new look". This new \$5,100,000 financial support from our principal shareholder will be profitably put to work in our expanding property and Twentieth Century Finance operations.

Conclusion

All of our existing divisions and subsidiaries whose stories follow, have shown strong profit performance in the past and are the cornerstones of Bovis Corporation. Our new operations in housing and residential property development are already proven. The new Commercial Property Division and the Twentieth Century Finance group are now in full swing. We continue to make sound property acquisitions and have started new developments since December, 1972.

Our shareholders may feel, as do the Management and Board of Directors of our Company, that our job has just really begun in turning the corner towards the substantial profit and future growth to which all of us look forward.

To each manager and employee of Bovis Corporation Limited, I extend my appreciation for a job well done during 1972, in the knowledge that 1973 will bring truly exciting challenges and rewards.



John S. Bull
President & Chief Executive
March 19, 1973

1972: The Developing Face of Bovis in Canada

The story of Bovis Corporation Limited in Canada really began in September, 1970. The Canadian shareholders of Gunnar Mining Limited accepted more than just a financial undertaking by the Bovis Group of London, England; they joined a Group which had an enviable track record in demonstrating how certain basic principles which had been successful in the United Kingdom and in Europe could be sensibly applied to a basically sound North American enterprise with a determination to diversify into profitable phases of property, housing and construction.

By the end of 1972, Bovis Limited, London ranked second among British developers in the acquisition and construction of new homes. From modest beginnings in Britain in 1967, the Bovis output of new homes had multiplied 12 times, developing in over 100 estates in Britain, France, and Australia, and completing over 4,000 homes at an annual rate. The Bovis philosophy: there is no such thing as a standard Bovis home, but a home tailored to the environment of each locality and to the market needs dictated by the home buyer.

The Canadian story of the Bovis Corporation's entry into housing began on March 1st, 1972, when the Canadian Housing Division was set up. On March 23rd, an offer was made, and on May 25th completed, resulting in the purchase of 50 acres of land with a preliminary plan of subdivision in the town of Acton, Ontario. On May 31st, housing designs were completed, and on June 14th, permission was granted to construct five model homes and later that month, the final agreement signed for completed servicing of the 50 homes in Phase I. On August 14th, construction of the 50 homes began and by August 30th, model homes were completed, and the first deposit taken on the first sale. By the end of 1972, 42 sales were achieved, and 25 families had moved into their new residences.

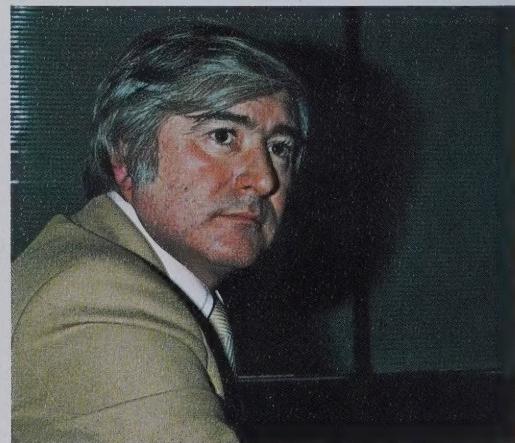
While this was transpiring, the Management of Bovis Corporation Limited recognized that it was essential to develop a second Division whose prime objective would be the acquisition of residential property, both to supply the need of the Housing Division, and to begin a profitable property trading operation. On June 1st, this second Division was officially begun and manned, and offers were made during the year on suitable property for our Housing Division needs in Bowmanville, Cambridge and Markham. In September, Bovis Corporation Limited acquired T.B. Realty Limited, which owned property in London, Ontario and in Newmarket and reactivated the construction subsidiary, Don Shaver Construction Limited, in London.



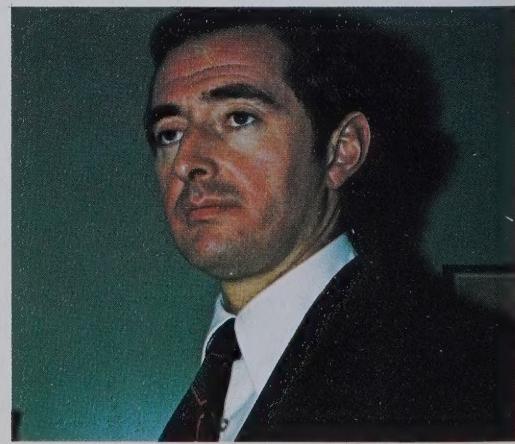
New site office, "Highlands of the Don"



Vice-Pres., K. Pain (Housing) & W. Dilly (Property)



B.J. Hughes, Bovis Group Property Consultant



D. Fleming-Wood, Vice-Pres., Comm. & Ind. Property

Bovis: Model Homes in Acton and Markham



Model home at Acton - "The Ashbrook"



Model home at Acton - "The Maplewood"



"Highlands of the Don" - The Madawaska



"Highlands of the Don" - The Nottawasaga

As this active progress was being made, experienced and capable people were being recruited in both the Housing and Residential Property Divisions, and the philosophies and objectives of The Bovis Group were being successfully tailored to the Southern Ontario scene.

Serviced land acquisitions made in November, 1972, led to the start by March of 1973 on 93 units in the "Highlands of the Don". Our housing program for 1973 which will include ongoing housing at "Acton Meadows", our first development, at the "Highlands of the Don" site at Markham, new acquisitions in London, Ontario and at our potential site in Barrie should enable us to attain housing starts in excess of 200 homes for 1973. Recognizing the cyclical nature of the housing industry in Canada, we believe that our philosophies and objectives are sound, and that we can attain targets in the range of 1,000 housing completions per year by 1977.

The year 1972 has demonstrated that the developing face of Bovis in Canada is on a sound basis, and that we have the organization and the people to become a major force in North America in this new endeavour.

On these pages, you will see the people who have become part of Bovis Corporation Limited, and who are making this changing face possible. In addition, you will judge for yourself the practical aesthetics and the marketing soundness of some of our housing designs.

The Management of Bovis Corporation Limited is proud of the homes we have built, and invite interested shareholders to visit and inspect our models in Acton and in Markham, Ontario.

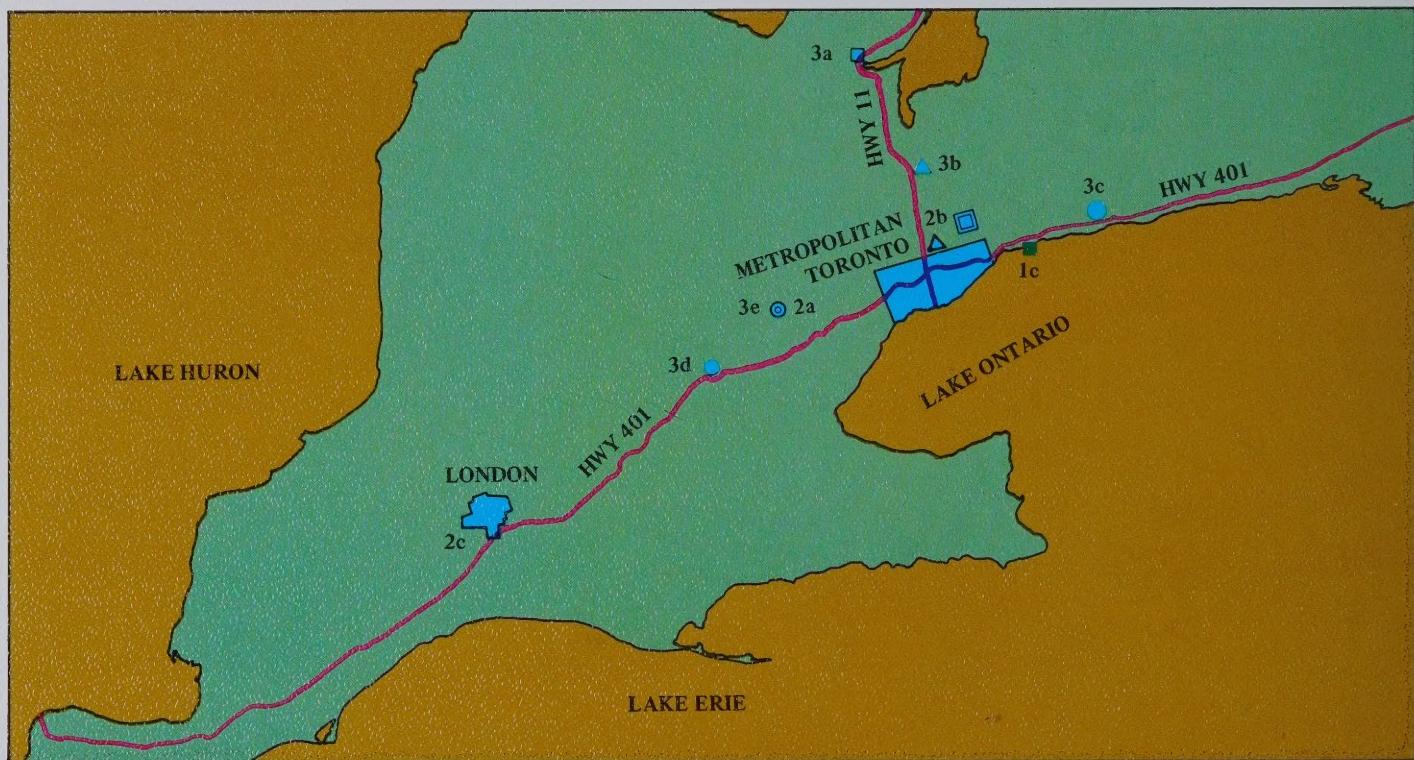
RECENT DEVELOPMENTS

Early in 1973, Bovis Corporation Limited announced its intention to enter the Commercial & Industrial Development field in Canada and a new Division was formed for this purpose. Three options have already been entered into in Metropolitan Toronto by this new Group.

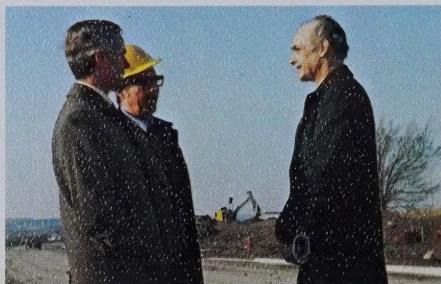
Also, early in 1973, Bovis Corporation Limited successfully tendered in joint venture for 2,400 acres of recreational land and the operations known as Limberlost Lodge, in the District of Muskoka, near Huntsville, Ontario.



Location of Land Holdings



Acton Meadows (2a)



Highlands of the Don (2b)



Lockwood Park (2c)



Barrie (3a)



Acton 2 (Esquesing) (3e)



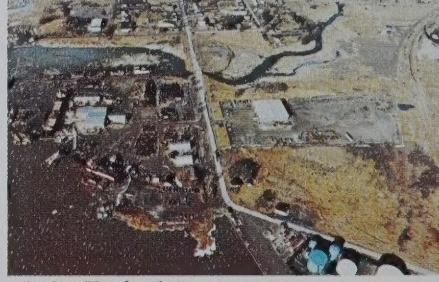
Newmarket (Woodcrest) (3b)



Darlington (Bowmanville) (3c)



Cambridge (3d)



Whitby Yards (1c)

Summary of Land and Property Assets

Introduction

While 1972 produced the acquisition of approximately 1,000 acres of residential land designed to meet the short term needs of our Housing Division, it is important to recognize that Bovis Corporation Limited has significant land and property holdings related to both current and previous commercial endeavours. These can be briefly summarized as follows:

1. Land and Buildings Acquired Prior to 1972

a. Cartier/Quemont Joint Venture

This land holding group, in which Cartier Construction Corporation, wholly-owned by Bovis Corporation, has a two-thirds interest, includes several parcels of land in the City of Laval, north of Montreal, Quebec. A total of 710,000 sq. ft., with book value of \$90,800, is zoned commercially and has been appraised in excess of \$500,000. Additionally, there are some 77 subdivided lots with a book value of \$95,000 currently appraised at approximately \$195,000.

b. Income Producing Properties

Bovis Corporation owns land and buildings at 300 Midwest Road in Scarborough, and at 123 Eastside Drive in Etobicoke, with a book value of \$1,033,000, which will generate net rentals, after taxes and all other expenses of \$152,500.

c. Existing Operations

Existing real estate assets employed in the operations of Keele Lumber at 70 Toryork Drive, McNamara Marine in Whitby, Ontario, McNamara Industries at Octagon Lake, Newfoundland, and Concrete Products at Mount Pearl, Newfoundland, represent a book value of \$1,340,000.

d. Surplus Lands and Buildings

Surplus lands and buildings as of December 31st 1972 included the Cartier Construction equipment yard of 345,000 sq. ft. near the Laval/Laurentian auto route interchange in Quebec, 46 acres in Fort McMurray, Alberta, (previously owned by the Mining Division), and the Heavy Construction equipment yard in Whitby, Ontario, of 6.6 acres. The book value of these surplus lands is \$424,000, well below current market appraisals. Offers have been accepted on the Cartier yard and the Fort McMurray lands in the first quarter of 1973.

2. Land Under Current Development

a. Acton Meadows

At the end of 1972, 50 acres were under development, of which 10 acres were completed as housing units.

b. Highlands of the Don

93 serviced lots are under development in this area in Markham County east of German Mills Road and north of Steeles Avenue.

c. Lockwood Park

1,350 total residential units are under development on 80 acres remaining in this subdivision in London, Ontario.

The total book value of the above land under immediate development is \$4,201,000.

3. Land for Future Development

a. Barrie

Approximately 100 acres of land on the Northern boundary of the City of Barrie and Anne and Cundles Road is currently under application for a draft plan approval which will permit 479 residential units commencing late in 1973 or early 1974.

b. Woodcrest Village

Located on the east side of Sutton Road, these lands lie north of Davis Drive in the Town of Newmarket, 188 acres of vacant land.

c. Darlington Township

This property consisting of 40 acres of vacant farm land in Darlington Township is adjacent to the westerly boundary of the Town of Bowmanville, Ontario.

d. Cambridge

Property was acquired in the City of Cambridge (formerly in the Town of Hespeler) consisting of approximately 250 acres of land stretching around the existing town boundary. An additional 200 acres were assembled in January 1973.

The book value of these lands for future development as of December 31st, 1972, was \$2,722,000.

e. Esquesing Township

A 100 acre parcel of land in the Township of Esquesing immediately adjacent to the easterly boundary of the Town of Acton, and south of Hwy. 7, was acquired in January 1973.

Review of Bovis Construction Operations in Canada

McNamara Newfoundland



In 1972, the Construction Division of McNamara Corporation of Newfoundland Limited, our wholly-owned subsidiary, completed \$12 million worth of road, subdivision, and bridge work in the Province of Newfoundland.

During the year, we were awarded nine new contracts, representing \$4.5 million of new volume, and this new work plus a substantial carry-over from 1971 led to a most successful and profitable year for this division.

The major project on the St. John's Arterial Road was accelerated, and we completed 1.2 million cubic yards of excavation and 400,000 tons of crushing during 1972 on this site.

Pipe piling and pre-stressed concrete beams were completed on the Main Gut bridge at Stephenville, and most of our asphalt paving work was completed on the Burin Peninsula roads. Other major road work was undertaken at Ferryland, Hawke's Bay and Witless Bay Line, where we completed over 1.6 million cubic yards of excavation during 1972.

Other completed jobs during the year included the paving at Cape Broyle, Donovan's Industrial Park, near St. John's, the Airport Runway at St. Anthony and repairs to the Holyrood dock. Service mains, trenching and street excavation are also near completion at the White Hill's subdivision for the St. John's Housing Corporation.

The Construction Division in Newfoundland has an adequate carryover of work into 1973. In addition, it is anticipated that up to \$30 million of new work in the continuing Newfoundland road program, municipal servicing, airport and dock construction should be called for tender during the new year in which McNamara Newfoundland should participate. The future prospects for this division are particularly favorable.



Site Preparation of Medical Centre, Memorial University.



St. John's Arterial Road under construction



Placing concrete in trestle tower, Come-By-Chance Dock



Weather conditions are a factor – Come-By-Chance Dock



McNamara Marine



Lennox Island Crossing, Prince Edward Island



North Traverse dredging near Ile d'Orléans



Nanticoke Water Intake project for Ontario Hydro



St. Joseph Island Bridge, near Sault Ste. Marie

The McNamara Marine Division of McNamara Corporation Limited increased its work volume in 1972 by 13% to \$7.6 million equally proportioned between dredging and marine construction.

The \$21 million Ile d'Orléans dredging project near Quebec City, actually the largest dredging contract ever awarded in Canada, proceeded on schedule through our joint venture with J.P. Porter and Richelieu. Over 4.1 million cubic yards of material were dredged from the St. Lawrence River bed employing 3 large suction dredging units and 20 units of ancillary floating equipment including a 300 foot converted ferry boat equipped with 6 diesel generators producing 7,200 H.P.

During 1972, four new contracts totalling \$1.2 million were awarded to McNamara Marine and, in addition, our joint venture with Canadian Dredge and Dock and J.P. Porter was awarded the contract for dock and trestle structure at the Come-By-Chance Refinery Wharf in Newfoundland. McNamara is sponsor of this joint venture responsible for the total contract of \$6.5 million. When completed, the wharf will extend 1,500 feet into Placentia Bay and will dock super tankers of 326,000 D.W.T. Approximately 60% of this work was completed in 1972.

Other projects included the completion of our joint venture for Ontario Hydro at the Nanticoke Generating Station, and hydraulic dredging at Boat Harbour, Nova Scotia. Dredging of sludge for environmental protection for Dominion Foundries in Hamilton, Ontario was undertaken, and the \$1 million bridge and causeway structure to Lennox Island on Prince Edward Island neared completion. Other work included virtual completion of the St. Joseph Island Bridge near Sault Ste. Marie and the Spur Wharf at Digby, Nova Scotia.

In February, 1973, McNamara Marine was awarded a major Toronto Harbour Dredging contract at the eastern gap for \$7.2 million. Following a most satisfactory 1972, Marine volume and profits outlook are good for 1973.

Review of Supply Company Operations

Federal Equipment (Eastern)



The Federal Equipment Division in Montreal went through a realignment of operations in 1972 and experienced a modest volume decline to \$7 million.

Despite this consolidation, the performance was satisfactory and record breaking results achieved on the sales of Clark-Michigan front-end loaders, including assisting in orders with the governments of India and the U.S.S.R. New contracts were entered into for the distribution of the J.C.B. British-built line of rubber tired and crawler back-hoes, the Arrow line of asphalt busters and pile drivers, and the Apex line of teeth and adapters for buckets.

The newly formed Environmental Equipment Division of Federal concentrated on the setting up of a national network of capable dealers to handle the Vacu-Sweep unit, the Von Arx descalers and John Bean sewer cleaners and the Arrow equipment.

The 1973 outlook for both the Quebec retail and national distribution lines of Federal look very promising indeed.

Keele Lumber

Our newly acquired Keele Lumber Division of Federal Equipment (Canada) Limited, a wholly-owned subsidiary of Bovis Corporation, had an excellent year with sales in excess of \$2.3 million.

Located near the hub of residential development on the west side of Metro Toronto, Keele Lumber continues its major activity of supplying leading house builders in Southern Ontario with their full requirements of lumber, plywood, insulation material, selected trim and allied necessities.

During 1972, 13 million board feet of lumber and 3,500,000 square feet of plywood were sold through the yard, supplying material for approximately 1,000 new homes, in addition to industrial buildings and hotels.

The forecast for 1973 is further expansion of these operations related closely to the housing construction boom in Southern Ontario.



Federal Equipment (Eastern) office, St. Laurent, Montreal



Vacu-Sweep assembly, Environmental Equipment Division



Keele Lumber office at Toryork Rd., Weston



Keele Lumber yards supplied over 1,000 homes



Concrete products office at Mount Pearl, St. John's, Nfld.



Mixers pouring concrete at Canadian Tire Corp. Ltd. project



Health Science Building project St. John's, Newfoundland



Aggregate bins for asphalt plant at McNamara plant



Concrete Products

Despite the eight week labour strike in the Spring of 1972, Concrete Products in St. John's Newfoundland held its volume at \$2.8 million and improved profit levels over prior years.

Over 55,000 cubic yards of ready-mix concrete were poured during 1972 and block production amounted to 725,000 units. Concrete pipe production totalled 18,000 feet and sales of other building materials reached \$700,000.

At the Seal Cove Quarry, two crushing plants operated during most of the year and produced 200,000 tons of concrete aggregates, road gravel and asphalt material. Also during the year, our fleet of 16 mobile ready-mix units was completely up-dated and plans are underway to modernize the concrete block machine and the ready-mix batch plant at Mount Pearl.

The business outlook for 1973 is excellent with a high level of construction, municipal work and residential building forecast during the year.



McNamara Industries

The McNamara Industries Division of McNamara Corporation of Newfoundland Limited had a very healthy year as volume reached \$3.7 million and satisfactory profits were achieved.

Early in 1972, McNamara Industries was awarded a \$2 million contract to supply, fabricate and erect all of the structural steel for the new Health Sciences Complex on the Memorial University, North Campus in St. John's. At year-end, 60% of fabrication and 30% of erection was completed.

In addition to this major project, several schools, warehouses and office buildings were undertaken during 1972 in addition to new bins for Alcan and oil storage tanks at St. Pierre and Fogo Islands.

McNamara Industries was also active in machine shop work for oil drilling operations on the Grand Banks, and the manufacture of specialized stainless steel fabrications for the Erco Plant at Long Harbour, Newfoundland.

The outlook for 1973 is excellent with a carryover of \$2.5 million of work including the contract for the new Engineering School on the Memorial Campus consisting of 1,500 tons of structural steel.

Consolidated Balance Sheet of Bovis

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

ASSETS

	1972	1971
Current		
Cash and deposit receipts	\$ —	\$ 2,131,000
Accounts and notes receivable, including		
\$1,633,000 retained by customers in accordance with contract provisions		
(1971 — \$2,245,000)	6,737,000	7,216,000
Receivable on sale of Supply Division	112,000	—
Inventories at the lower of cost and net realizable value	5,308,000	4,616,000
Investment in joint ventures	2,575,000	3,460,000
Contracts in progress at the lower of cost and net realizable value, less progress billings	62,000	562,000
Prepaid equipment rents, and other prepaid items	1,488,000	959,000
Land for sale including houses under construction of \$540,000	4,930,000	—
Mortgages receivable (Note 8)	<u>360,000</u>	<u>—</u>
	<u>\$21,572,000</u>	<u>\$18,944,000</u>
Land held for future development	2,722,000	—
Sundry assets and investments (Note 1)	499,000	995,000
Loans re share participation plan (Note 3)	430,000	605,000
Property, plant and equipment at cost	25,248,000	
Less accumulated depreciation	<u>14,742,000</u>	<u>10,506,000</u>
	<u>\$35,729,000</u>	<u>\$32,146,000</u>

Corporation Limited and Subsidiaries

LIABILITIES

	1972	1971
Current		
Bank indebtedness	\$ 115,000	\$ —
Accounts, notes payable and accrued charges . . .	5,001,000	5,088,000
Provision for costs and losses	—	1,100,000
Mortgages and mortgage advances on land for sale and houses under construction (Note 9) . . .	2,160,000	—
Current portion of term bank loan	1,000,000	—
	<hr/>	<hr/>
\$ 8,276,000	\$ 6,188,000	
Mortgages payable	280,000	258,000
Mortgages on land acquired for future develop- ment (Note 9)	1,361,000	—
Term bank loans (Note 2)	2,716,000	
Less portion due within one year	<u>1,000,000</u>	1,716,000
		3,688,000

SHAREHOLDERS' EQUITY

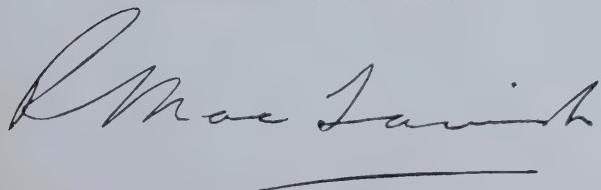
Capital stock (Note 3)

Authorized
15,000,000 shares without par value

Issued

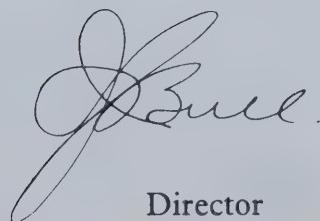
11,965,916 shares		
(1971 – 11,928,466 shares)	14,841,000	14,761,000
Contributed surplus	8,179,000	8,179,000
	<hr/>	<hr/>
	23,020,000	22,940,000
Earned surplus (deficit)	<u>1,076,000</u>	(928,000)
	<hr/>	<hr/>
	24,096,000	22,012,000
	<hr/>	<hr/>
	<u>\$35,729,000</u>	<u>\$32,146,000</u>

On Behalf of the Board



Rae Tanish

Director



J. B. Bell

Director

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	1972	1971
Gross revenue, including \$7,012,000 share of joint venture revenue (1971 - \$15,313,000)	<u>\$42,492,000</u>	<u>\$62,835,000</u>
Income from operations before undernoted charges	<u>\$ 3,891,000</u>	<u>3,096,000</u>
Interest expense - term bank loans.	<u>219,000</u>	<u>405,000</u>
Depreciation	<u>1,441,000</u>	<u>1,331,000</u>
	<u>1,660,000</u>	<u>1,736,000</u>
Net income for the year before extraordinary item	<u>2,231,000</u>	<u>1,360,000</u>
Extraordinary item:		
Excess of costs and losses on discontinuance of certain operations over provision for costs and losses established in prior years	<u>(227,000)</u>	
Net income for the year	<u>\$ 2,004,000</u>	<u>1,360,000</u>
Net income per share (Note 6)		
Before extraordinary item	<u>.186</u>	<u>.116</u>
After extraordinary item	<u>.168</u>	<u>.116</u>

Auditors' Report

TOUCHE ROSS & CO.

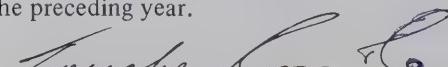
SUN LIFE BUILDING
200 UNIVERSITY AVENUE
TORONTO 110, ONTARIO
(416) 366-6521

The Shareholders,
Bovis Corporation Limited

We have examined the consolidated balance sheet of Bovis Corporation Limited and subsidiaries as at December 31, 1972 and the consolidated statements of income, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Bovis Corporation Limited and subsidiaries as at December 31, 1972 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 20, 1973


 CHARTERED ACCOUNTANTS

Source and Application of Funds

CONSOLIDATED STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	1972	1971
Funds were provided from:		
Net income for the year.....	\$ 2,004,000	\$ 1,360,000
Add non cash items –		
Depreciation and amortization.....	1,445,000	1,331,000
	<u>3,449,000</u>	<u>2,691,000</u>
Sales of fixed assets	1,009,000	271,000
Sale of divisions less unpaid balance	722,000	–
Sale of interest in joint ventures	1,345,000	–
Decrease in accounts receivable.....	597,000	3,371,000
Decrease (increase) in work in progress.....	527,000	(50,000)
Repayment of loans re share participation plan	255,000	–
Mortgage advances on houses under construction	270,000	–
	<u>8,174,000</u>	<u>6,283,000</u>
Increase (decrease) in bank borrowings net of reduction in term bank loans	1,274,000	(5,314,000)
	<u>\$ 9,448,000</u>	<u>\$ 969,000</u>
Funds were applied to: .		
Purchase of fixed assets	\$ 1,462,000	\$ 2,924,000
Increase (decrease) in advances to joint ventures.....	1,192,000	(2,310,000)
Increase (decrease) in inventories	1,056,000	(1,325,000)
Increase (decrease) in prepaid expenses	529,000	(23,000)
Decrease (increase) in accounts payable & provision for costs and losses	239,000	(193,000)
Acquisitions:		
T. B. Realty Limited (Note 10)	1,600,000	–
McNamara Industries Ltd. & Keele Lumber Division	–	1,893,000
Houses under construction	207,000	–
Land under development less related mortgages payable	1,614,000	–
Land for future development less related mortgages payable..	1,074,000	–
Mortgages receivable on land sales and other	475,000	3,000
	<u>\$ 9,448,000</u>	<u>\$ 969,000</u>

Consolidated Statement of Earned Surplus

FOR THE YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

(Deficit) January 1.....	\$ (928,000)	\$(2,288,000)
Net income for the year.....	2,004,000	1,360,000
Earned surplus, (deficit) December 31.....	<u>\$ 1,076,000</u>	<u>\$ (928,000)</u>

Notes to Statements

1. Accounting Policies

- a) The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary companies; consequently, the results of a partially-owned (51%) subsidiary are not included. The Company's interest in this subsidiary, which is a non-producing mining company in the exploration stage, is included in Sundry assets and investments at \$323,000, which is the Company's share of the equity reported in the 1972 audited financial statements.
- b) It is the policy of the Company not to reflect claims for extra work in the financial statements until the compensation has been awarded.
- c) The investments in joint ventures are carried at the amount of the capital advance adjusted by the Company's share of earnings or losses to date.
- d) The Company's accounting policies relating to its property development and housing activities have been established in accordance with the recommendations of the Canadian Institute of Chartered Accountants.
 - i) The Company follows the policy of capitalizing as part of the cost of land for sale and held for future development:
 - i) direct carrying costs such as mortgage interest, realty taxes and other costs which pertain to such properties, and
 - ii) interest on general borrowings considered applicable.

During the year ended December 31, 1972, the total of such costs amounted to \$151,000.

- i) Income from housing and property transactions is recognized as follows:

House Sales — at the date of closing

Land Sales — when all material conditions have been fulfilled, at least 15% of the purchase price has been received, and interest is accruing at a reasonable rate on the balance due under the sale.

- 2. The term bank loans are secured by charges on the assets of the Company and certain of its wholly-owned subsidiaries, with the exception of land acquired for development purposes and certain construction assets.

The term loans of \$2,716,000 (including \$1,043,000 U.S.) which bear interest at 1% above the prime rate of a specified Canadian bank are repayable as follows:

August 31, 1973	\$1,000,000
August 31, 1974	\$1,000,000
August 31, 1975	<u>\$ 716,000</u> <u>\$2,716,000</u>

The term loans provide among other things that the Company maintain a consolidated net working capital of not less than \$5,000,000 and that the proceeds on disposition of certain assets of the Company and its subsidiaries will in whole or in part be applied to the principal amount of the term loans in inverse order of maturities of instalments payable. In 1972, the proceeds on the disposition of certain assets (\$972,000) were applied to the instalments originally due August 31, 1975.

3. Share issues and options:

- i) Under the Company's share participation plan which became effective in 1971, the Company issued 337,450 shares, (37,450 shares during year

ended December 31, 1972), out of 400,000 shares reserved, to directors, officers and other key employees at prices equal to the market value on the business day next preceding the day of issue.

The aggregate consideration received for those shares issued during the year ended December 31, 1972, amounted to \$80,000. The Company provided interest free loans to said officers, directors and key employees in the aggregate amount of \$80,000 to enable the purchase of the aforementioned shares. During the year \$255,000 of similar loans in the prior year were repaid. The remaining loans (of which \$290,000 is due from officers and directors) may be repaid at any time and mature seven years from the purchase date. The shares purchased are held by a trustee and may be released to the employee at the rate of 20% per annum commencing one year after the purchase date, provided pro rata payment on account of the note is received.

- ii) Under the terms of an agreement dated August 27, 1970, with Bovis Limited of London, England, the Company granted an irrevocable and non-assignable option to Bovis Holdings (Canada) Limited to purchase at any time or from time to time, up to (but not after) August 31, 1973 an aggregate of 1,700,000 unissued shares of the Company at the price of \$3 per optioned share, payable in cash. No options were exercised in 1972.
- iii) 170,000 shares are reserved for issue pursuant to an irrevocable option granted in 1971 to a former officer. The option may be exercised at any time or from time to time up to January 4, 1976, at the price of \$1.90 per share. No options were exercised in 1972.

4. Remuneration of directors and senior officers from the Company and its subsidiaries for the year totalled \$440,000 (1971 — \$392,000).

5. The gross revenue by class of business is broken down as follows:

	<u>1972</u>	<u>1971</u>
Construction (including joint venture revenues of \$7,012,000; 1971— \$12,830,000,	\$23,740,000	\$42,714,000
Supply Companies	17,185,000	17,412,000
Mining (including joint venture revenue of \$2,483,000)	—	2,709,000
Property and housing	1,567,000	—
	<u>\$42,492,000</u>	<u>\$62,835,000</u>

6. Earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the year. Exercising of options outstanding as at December 31, 1972 (Note 3) would not have a dilutive effect on the 1972 earnings per share.

7. The pension plan was revised, effective January 1, 1972, and now substantially all salaried employees of the Company and its subsidiaries are covered under the contributory pension plan. Estimated unfunded past service pen-

sion costs at December 31, 1972, were \$198,000 and are to be paid at minimum by equal annual instalments over the ensuing seventeen years. These unfunded past service costs will be amortized over a ten-year period.

8. Mortgages receivable:

Mortgages receivable on sales of property totalling \$360,000 bear interest at an average rate of 8.33%. Substantially all of these mortgages mature in 1973.

9. Mortgages and mortgage advances:

- i) Mortages on land for sale (\$1,674,000) bear interest at 8½% and will be discharged out of proceeds of first mortgage financing and bank borrowings relative to construction of houses which, it is anticipated will commence prior to the maturity date of these liabilities.
- ii) Mortgage advances on houses under construction (\$486,000) represent amounts received with respect to first mortgages on the properties and will be assumed by purchasers in the normal course of business as the properties are sold.
- iii) Mortgages on land held for future development bear interest at an average rate of 7.86% and are repayable as to principal approximately as follows:

1973	\$ 192,000
1974	131,000
1975	104,000
1976	65,000
1977 and thereafter	<u>869,000</u>
	<u>\$1,361,000</u>

10. On September 15, 1972, the Company acquired 100% of the issued and outstanding common and preferred shares of T.B. Realty Limited, a land development company.

The following net assets were acquired in the transaction which was accounted for as a purchase:

Net assets, primarily land for sale and land for future development at book value	\$ 1,353,000
Increase of assets from book value to fair value	247,000
Net assets of T.B. Realty Limited acquired	<u>\$1,600,000</u>
The following consideration was given by the Company:	
Cash	<u>\$1,600,000</u>

The results of operations of T.B. Realty Limited since the date of acquisition have been included in the consolidated income statement.

11. Neither the Company nor any of its wholly-owned subsidiary companies has any taxable income in 1972. The principal adjustments contributing to this result vary from company to company, but may be summarized as follows:

- i) the deductibility for income tax purposes of part of the excess of the book value over the purchase price paid for the underlying net assets of a subsidiary acquired in a previous year, and
- ii) costs deductible in the year for income tax purposes but recorded in a prior year as provision for costs and losses.

12. The 1971 figures have been reclassified to conform to the 1972 presentation.

DIRECTORY OF THE BOVIS GROUP OF COMPANIES

BOVIS CORPORATION LIMITED

McNAMARA CORPORATION LIMITED

FEDERAL EQUIPMENT (CANADA) LIMITED

T.B. REALTY LIMITED

TWENTIETH CENTURY FINANCE
CORPORATION LIMITED

255 Consumers Rd., Willowdale, Ontario.
416-493-2770 Telex: 06966856

OPERATING DIVISIONS & SUBSIDIARIES:

• PROPERTY & HOUSING

255 Consumers Rd., Willowdale, Ontario.
416-493-2770

• KEELE LUMBER

70 Toryork Drive, Weston, Ontario
416-741-6712

• McNAMARA MARINE

101 Dundas Street W., Whitby, Ontario
416-668-6824

• McNAMARA CORPORATION OF NEWFOUNDLAND LIMITED

P.O. Box 998, St. John's, Newfoundland
709-726-1980

• McNAMARA INDUSTRIES

P.O. Box 910, St. John's, Newfoundland
709-368-3186

• FEDERAL EQUIPMENT

895 Montee de Liesse, Montreal 377, Quebec
514-341-4590

• CONCRETE PRODUCTS

P.O. Box 427, St. John's, Newfoundland
709-368-3171

• BOHNA ENGINEERING & RESEARCH INC:

801 Mahler Rd., Suite G, Burlingame, Calif. 94010
415-697-6644



LONDON, ENGLAND

BOVIS LIMITED

Liscartan House

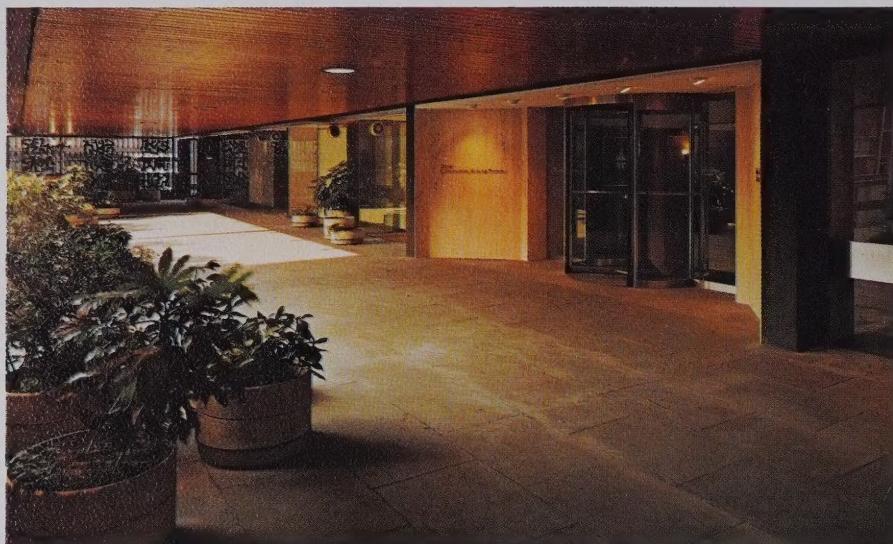
127 Sloane Street, London SW1X9BA, England

Telephone 01-730-0811

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The Bovis Group International



Liscartan House, Sloane St., London – Bovis Limited

The BOVIS GROUP is forecasting profits before tax of £13,000,000 Sterling, trebling the £4,500,000 achieved in 1971 and making 1972 the tenth consecutive year of profit growth.

The GROUP has made major advances in all its four fields of activity – Construction, Housing, Property and Banking. The real estate programme is now worth in the region of £120,000,000 and includes important developments in France, Holland and Belgium as well as the U.K. Further extensions of the programme into South East Asia through GAMMON, Singapore, are being actively considered.

The merger of the GROUP'S main building companies to form BOVIS CONSTRUCTION makes this one of the largest building companies in Europe with a turnover in excess of £100,000,000. BOVIS thus becomes the first European company to announce its intention to operate exclusively on a building fee basis. The GROUP has already begun to extend its building activities into Europe and plans to accelerate this process during 1973.

The Housing Division of BOVIS LIMITED has established itself as a leading house builder, building over 4,000 homes during 1972. The large land bank accumulated over the last five years assures the GROUP'S ability to maintain this rate of production. Housing companies are also established in France and in Australia, as well as in Canada through Bovis Corporation Limited.

Twentieth Century Banking Corporation of England purchased by BOVIS at the end of 1971 achieved record results in its first full year of operation as a BOVIS subsidiary. During 1973, further branches will be opened to increase the bank's coverage of the U.K. and provide for its further expansion.

